

**Note:** This agenda is a convenience document for English speaking shareholders. The official agenda (except for the Annexes) has been drawn up in the Dutch language and shall be governed and construed in accordance with the laws of The Netherlands. This English translation has been made with due care but the translation of certain Dutch terms and notions may not be fully or adequately understood in translation. For that reason in case of differences the official Dutch language document shall prevail and will determine the legal position of the company, except for the Annexes for which the English language shall prevail.



## **Reed Elsevier NV**

Agenda

Annual General Shareholders' Meeting 2010

Tuesday, 20 April 2010 at 10.30 am CET

Marriott Hotel

Stadhouderskade 12

1054 ES Amsterdam

The Netherlands



## To the shareholders of Reed Elsevier NV

Amsterdam, 18 March 2010

Dear shareholder,

### **Annual General Meeting 2010**

I am pleased to invite you to the Annual General Meeting (AGM) of Reed Elsevier NV (the Company). The AGM will be held on Tuesday 20 April 2010 at 10.30 am at the Marriott Hotel, Stadhouderskade 12 in Amsterdam.

In June last year I became Chairman of the Supervisory Board in succession to Jan Hommen, who resigned from the Supervisory Board in April 2009 to take up the position of CEO of ING Group NV. In September 2009 Ben van der Veer was appointed as a member of the Supervisory Board and as a non-executive director of Reed Elsevier PLC and Reed Elsevier Group plc. In January 2010, Marike van Lier Lels was appointed as a member on the Supervisory Board of the Company.

In November 2009, the Executive Board appointed Erik Engstrom as Chief Executive Officer. Mr Engstrom has been a member of the Executive Board and Chief Executive Officer of our Elsevier division since 2004.

Messrs Polet, Van der Veer, Engstrom, Armour and I will retire at the AGM and are all available for re-appointment to the respective Boards. For further details, see the Explanatory notes to the Agenda.

Mrs Dien de Boer-Kruyt will be retiring at the forthcoming AGM and is not seeking re-appointment. I would like to take the opportunity to thank Dien for over 10 years of service on the Supervisory Board. She has contributed greatly as a Board member and we are sorry to see her retire.

We have assessed and reviewed the corporate governance structure of the Company in light of the amended Dutch Code that is applicable as of 1 January 2009. We have updated our rules and regulations relating to our corporate governance and have published our Corporate Governance Statement on the Reed Elsevier website, which explains the broad outline of the corporate governance structure of the Company and is incorporated by reference in our annual reports and financial statements. We will present this to the AGM for discussion as a separate agenda item.

Given the backdrop of a challenging year and the volatile business environment, we have reviewed our executive compensation programmes. This resulted in the formulation of a set of proposals for new arrangements, for which we are seeking shareholder approval at the AGM. This follows an extensive consultation process with major shareholders and shareholder representative bodies in the Netherlands, UK and US. For further information, see the Explanatory notes to the Agenda.

The rest of the formal agenda will be generally familiar to you and further explanation is provided in the enclosed agenda and the Explanatory notes to the Agenda for the AGM. You will find the Annual Reports 2009 and Financial Statements on Reed Elsevier's website [www.reedelsevier.com](http://www.reedelsevier.com)

Reed Elsevier welcomes active participation of shareholders at the AGM, both through questions and through voting. If you wish to attend the meeting, you can register in the manner described in the Explanatory notes to the Agenda or the website of Reed Elsevier. A proxy form has been sent to the shareholders that are registered in the Company's shareholders' register and will be sent to the shareholders who participate in the Shareholder's Communication Channel. There will be electronic voting at the AGM. For that purpose proxy holders representing different shareholders who have received voting instructions such that they cannot vote all the shares which they are representing in the same manner (for, against, abstention) for each individual agenda item, will need to contact the Secretariat of the Company (see contact details below) no later than Tuesday 13 April 2010, 5.00 pm CET, to enable appropriate processing of those instructions.

I look forward to meeting you on 20 April 2010.

Yours sincerely,

**Anthony Habgood**

Chairman of the Supervisory Board

Secretariat of Reed Elsevier NV, PO Box 470, 1000 AL Amsterdam  
Phone +31 (0)20 485 2906, fax +31 (0)20 485 2032

# Agenda

**Annual General Meeting of Shareholders  
of Reed Elsevier NV (the *Company*)  
to be held on Tuesday, 20 April 2010 at 10.30 am CET  
at the Marriott Hotel, Stadhouderskade 12, Amsterdam, the Netherlands**

- 1. Opening**
- 2. Annual Report 2009 (discussion)**
- 3. Broad outline of the corporate governance structure of the Company and compliance with the amended Dutch Corporate Governance Code/Corporate Governance Statement 2009 (discussion)**
- 4. Adoption of the 2009 Annual Financial Statements (resolution)**
- 5. Release from liability of the members of the Executive Board and the Supervisory Board**
  - a. Release from liability of the members of the Executive Board (resolution)
  - b. Release from liability of the members of the Supervisory Board (resolution)
- 6. Determination and distribution of dividend (resolution)**
- 7. Appointment of external auditors (resolution)**
- 8. Composition of the Supervisory Board**
  - a. Re-appointment Robert Polet (resolution)
  - b. Re-appointment Anthony Habgood (resolution)
  - c. Re-appointment Ben van der Veer (resolution)
- 9. Composition of the Executive Board**
  - a. Re-appointment of Erik Engstrom (resolution)
  - b. Re-appointment of Mark Armour (resolution)
- 10. Amendments to the remuneration policy and proposals for new long-term incentive arrangements**
  - a. Amendment to remuneration policy (resolution)
  - b. Proposal for new long-term incentive plan: the Growth Plan (resolution)
  - c. Proposal for new long-term incentive plan: the BIP 2010 (resolution)
- 11. Delegation to the Executive Board of the authority to acquire shares in the Company (resolution)**

- 12. Designation of the Combined Board as authorised body to issue shares, to grant options and to restrict pre-emptive rights**
  - a. Designation of the Combined Board as authorised body to issue shares and to grant rights to acquire shares in the capital of the Company (resolution)
  - b. Extension of the designation of the Combined Board as authorised body to limit or exclude pre-emptive rights to the issuance of shares (resolution)
- 13. Any other business**
- 14. Close of meeting**

## Explanatory notes to the Agenda

### **Item 2: Annual Report 2009**

Mr Erik Engstrom, Reed Elsevier's Chief Executive Officer, will give a presentation of the development of the business and results achieved in 2009. Further, the Report of the Supervisory Board and the Executive Board will be discussed, for which reference is made to page 162 and onwards of the Reed Elsevier Annual Reports and Financial Statements 2009.

### **Item 3: Broad outline of the corporate governance structure of Reed Elsevier and compliance with the Dutch Corporate Governance Code/Corporate Governance Statement 2009 (discussion)**

In accordance with best practice provision I.1 of the Dutch Corporate Governance Code 2008, the broad outline of the corporate governance structure of the Company and the corporate governance statement relating to the application of the Code are tabled for discussion at the Annual General Shareholders' Meeting. As permitted under the regulations, the Company has opted to publish its corporate governance statement by posting it on its website, [www.reedelsevier.com](http://www.reedelsevier.com). The Corporate Governance Statement is incorporated by reference in the Reed Elsevier Annual Reports and Financial Statements 2009 and as such cannot be amended. It is attached to the Explanatory notes to the Agenda as Annex I.

### **Item 4: Discussion and adoption of the 2009 Annual Financial Statements (resolution)**

The 2009 Annual Financial Statements of the Company are included in and constituted by the Reed Elsevier Annual Reports and Financial Statements 2009. These have been drawn up by the Executive Board and audited by Deloitte Accountants B.V., who has issued an unqualified opinion. The auditor will be present during the meeting to answer questions. It is proposed that the 2009 Annual Financial Statements are adopted by the General Meeting of Shareholders.

### **Item 5: Release from liability of the members of the Executive Board and the Supervisory Board**

#### *5a. Release from liability of the members of the Executive Board (resolution)*

In accordance with article 31 under 2 of the Articles of Association, the General Meeting of Shareholders is requested to release the members of the Executive Board from liability for their management in so far as such management is apparent from the financial statements.

#### *5b. Release from liability of the members of the Supervisory Board (resolution)*

In accordance with article 31 under 2 of the Articles of Association, the General Meeting of Shareholders is requested to release the members of the Supervisory Board from liability for their supervision insofar as such supervision is apparent from the financial statements.

### **Item 6: Determination and distribution of dividend (resolution)**

Subject to the adoption of the 2009 Annual Financial Statements by the General Meeting of Shareholders and in accordance with article 33 under 1 of the Articles of Association, the Combined Board recommends a final dividend of €0.293 per ordinary share of €0.07 nominal value. Taking into account the €0.107 interim dividend per ordinary share that was paid on 28 August 2009, this means that the 2009 total dividend per ordinary share amounts to €0.400. The final dividend will be payable on 21 May 2010 and the ordinary shares will trade ex-(final) dividend from 22 April 2010.

### **Item 7: Appointment of external auditors (resolution)**

In accordance with article 30 under 6 of the Articles of Association, the General Meeting of Shareholders has the authority to appoint the external auditor that will conduct the audit of the financial statements. The Audit Committee has conducted a formal review of the performance of the external auditors and the effectiveness of the audit. Based on this review, and on their subsequent observations on the planning and execution of the external audit for the financial year ended on 31 December 2009, the Audit Committee has recommended the re-appointment of Deloitte Accountants B.V. as external auditors of the Company until the Annual General Meeting of Shareholders in 2011. The Supervisory Board follows this recommendation with the support of the Executive Board. The terms and conditions applicable to this re-appointment will be determined by the Supervisory Board.

Reference is made to the Report of the Audit Committees on pages 79 and 80 of the Reed Elsevier Annual Reports and Financial Statements 2009.

**Item 8: Composition of the Supervisory Board**

*8a. Re-appointment of Robert Polet (resolution)*

*8b. Re-appointment of Anthony Habgood (resolution)*

*8c. Re-appointment of Ben van der Veer (resolution)*

As per the rotation schedule adopted by the Combined Board, Mr Robert Polet, will stand down from the Supervisory Board at the end of the Annual General Meeting and will be available for re-appointment. Mr Habgood and Mr Van der Veer will retire in accordance with the Articles of Association of Reed Elsevier PLC at the next Annual General Meeting of Reed Elsevier PLC. In accordance with Reed Elsevier's governance arrangements, where possible each member of the Boards should stand for re-appointment by the shareholders of the respective parent companies at the same time. In accordance with these governance arrangements, Mr Habgood and Mr Van der Veer will stand down at the end of the Annual General Meeting and will also stand for re-appointment as member of the Supervisory Board of Reed Elsevier NV.

During 2009 the Corporate Governance Committee conducted a review of the functioning and constitution of the Reed Elsevier Boards and their committees, and also undertook a board effectiveness review. Based on these assessments, the Nominations Committee believes that the contribution and performance of each board member seeking re-appointment at the Annual General Meeting continues to be effective, and that they each demonstrate commitment to their respective roles in Reed Elsevier. Accordingly, the Nominations Committee recommends the re-appointment of each board member. In accordance with recommendations of the Nominations Committee and article 21 under 3 of the Articles of Association, it is recommended by the Combined Board that Messrs Robert Polet, Anthony Habgood and Ben van der Veer are re-appointed as members of the Supervisory Board. Messrs Robert Polet, Anthony Habgood and Ben van der Veer are eligible and have all stated their willingness to accept a re-appointment.

Biographical information as referred to in article 21 under 4 of the Articles of Association in relation to the members of the Supervisory Board recommended for re-appointment are included in these Explanatory notes to the Agenda. Appointments to the Supervisory Board are made in accordance with the profile for that board which is available from the Reed Elsevier website ([www.reedelsevier.com](http://www.reedelsevier.com)).

**Item 9: Composition of the Executive Board**

*9a. Re-appointment of Erik Engstrom (resolution)*

*9b. Re-appointment of Mark Armour (resolution)*

As per the rotation schedule adopted by the Combined Board, Erik Engstrom and Mark Armour will stand down from the Executive Board at the end of the Annual General Meeting and will both be available for re-appointment.

Erik Engstrom, who was appointed as a member of the Executive Board and CEO of the Elsevier division in 2004, was appointed Chief Executive Officer of Reed Elsevier in November 2009. Mark Armour was appointed in 1999 as a member of the Executive Board of Reed Elsevier NV and as Chief Financial Officer.

During 2009 the Corporate Governance Committee conducted a review of the functioning and constitution of the Reed Elsevier Boards, and also undertook a board effectiveness review. Based on these assessments, the Nominations Committee believes that the contribution and performance of both board members seeking re-appointment at the Annual General Meeting continues to be effective, and that they each demonstrate commitment to their respective roles in Reed Elsevier. Accordingly, the Nominations Committee recommends the re-appointment of both board members. The Combined Board recommends in accordance with article 15 under 2 of the Articles of Association to re-appoint Messrs Erik Engstrom and Mark Armour as member of the Executive Board. The main elements of the amended employment agreement of Mr Engstrom are published in the Remuneration Report on page 63 of the 2009 Reed Elsevier Annual Reports and Financial Statements. The relevant personal details of Mr Engstrom appear on page 11 below of these Explanatory notes to the Agenda.

**Item 10: Amendments to the remuneration policy and proposals for new long-term incentive arrangements**

*10a. Amendment to remuneration policy (resolution)*

Given the backdrop of a challenging year and the volatile business environment, the Remuneration Committee (the **Committee**) has been actively engaged in the review and management of all of the compensation for members of the Executive Board over the last 12 months. The continuing volatile economic environment makes the setting of targets and management of performance within a narrow range significantly more difficult. Therefore, the Supervisory Board proposes to flatten the payout slope in the annual incentive plan for 2010. This means that a smaller bonus would start to accrue for achieving 94% of target and the level of outperformance required to earn a bonus in excess of target has been substantially increased. In addition, the Committee has determined that for 2010, executive directors will only be able to earn the target bonus if 2010 profit performance exceeds 2009. The target and maximum bonus opportunities remain unchanged.

In accordance with the Dutch Civil Code, the Supervisory Board seeks the approval of the Annual General Shareholders' Meeting to approve this amendment of Reed Elsevier's remuneration policy regarding members of the Executive Board.

*10b. Proposal for new long-term incentive plan: the Growth Plan (resolution)*

*10c. Proposal for new long-term incentive plan: the BIP 2010 (resolution)*

The main focus of the review was the long-term incentive (**LTI**) arrangements, which the Committee considered in the context of the changes in the senior leadership team during 2009, Reed Elsevier's strategy and the late cycle impact on our professional markets of the recent global economic recession.

The Committee concluded from this review that the existing LTI arrangements, with their primary focus on earnings growth, are no longer best positioned to meet shareholder interests. Whilst sustained growth in profitability remains important, in the context of the recent acquisition of ChoicePoint and growing internal capital investment, the Committee believes that a balanced pursuit of sustained earnings growth, capital discipline and shareholder returns provides a more appropriate basis to drive Reed Elsevier going forward.

In the development of the proposed new LTI arrangements, we consulted with some 30 major shareholders and shareholder representative bodies in the UK, the Netherlands and the US in early 2010. The input and feedback received during the consultation process shaped the LTI arrangements for which we are seeking shareholder approval and which are described in detail below. The new arrangements consist of two plans. The first is a one-off plan, the Reed Elsevier Group plc Growth Plan (the **Growth Plan**), under which awards will only be granted in 2010, subject to shareholder approval. The second is a successor plan to the current Reed Elsevier Group plc Bonus Investment Plan 2003 (the **BIP 2003**). The new plan is the Reed Elsevier Group plc Bonus Investment Plan 2010 (the **BIP 2010**), which is proposed to operate on an annual rolling basis from 2010.

Performance under the Growth Plan is measured by reference to Return on Invested Capital (**ROIC**), Earnings per Share (**EPS**) and relative Total Shareholder Return (**TSR**). Performance under the BIP 2010 is measured by reference to ROIC and EPS. The targets against each metric have been set within the context of Reed Elsevier's 2009 annual results, the continuing challenging business environment and internal and external forecasts for 2010 and beyond. The targets for awards to be made in 2010 are considered stretching and are designed to provide exceptional reward for exceptional performance whilst providing participants with a realistic expectation that reward at the lower end of the scale is attainable subject to robust performance.

The Growth Plan will operate for executive directors in 2010. It replaces the Reed Elsevier Group plc Share Option Scheme (the **ESOS**) and the Reed Elsevier Group plc Long Term Incentive Share Option Scheme (the **LTIP**). Under these plans, **annual** grants were made prior to 2010 of market-priced options over shares with a market value of 300% of salary on the date of grant and 135% of salary in performance shares (with the opportunity to vest up to 189% of the initial award for exceptional performance).

In respect of senior management below board level, LTIP arrangements using similar performance measures to the Growth Plan, which may include a focus on business unit level performance, will be put in place as appropriate.

We intend to come back to shareholders possibly in 2011 to discuss how we revert to a more regular LTI plan going forward. Any such plan will be subject to shareholder approval.

In developing the new LTI arrangements, the Committee was sensitive and mindful of the need to ensure that the level of the overall incentive opportunity available under the proposed LTI arrangements (i.e. the Growth Plan and BIP 2010) remains within the parameters of the incentive framework previously approved by shareholders. Extensive modelling and scenario analysis was undertaken in order to assess the impact of the proposals using different assumptions. The modelling took account of the impact on payout levels of dividend equivalents which will accrue on the vested shares released under both plans. The Committee believes that there is no material difference between the annualised expected values of the current LTI arrangements (i.e. ESOS, LTIP and BIP 2003) and the proposed arrangements (i.e. the Growth Plan and BIP 2010) and has had this verified by Towers Watson, the independent advisors to the Committee. Furthermore, a cap on payout will apply to ensure that the maximum potential payouts do not exceed those of our current plans.

The Committee also specifically tested whether the proposed structure encouraged any inappropriate behaviours and excessive risk taking and how the metrics, in particular EPS and ROIC, are interrelated. The Committee concluded that the structure of the proposals, combined with the Reed Elsevier governance and risk management processes and claw-back provisions, provide the necessary checks and balances to prevent excessive risk taking. In addition, the Committee will keep a watching brief to ensure a balanced pursuit of performance against all metrics.

In determining the level of vesting under the plans, the Committee will take into account Reed Elsevier's overall business performance over the relevant period and any other factors as appropriate. The Committee will have discretion to adjust the vesting levels of awards if it believes such an adjustment would result in a fairer outcome. In exercising any such discretion, the Committee will have due regard to the value created for shareholders and the underlying business performance. The Committee will be open and transparent about its use of this discretion and will explain in the Remuneration Report the extent to which the discretion has been exercised and the reasons for doing so.

The plans are described in **Annex II** to these Explanatory notes to the Agenda.

The Supervisory Board seeks the approval of the Annual General Shareholders' Meeting to approve the new long-term incentive plan: the Growth Plan under item 10b and the BIP 2010 under item 10c.

**Item 11: Delegation to the Executive Board of the authority to acquire shares in the Company (resolution)**

The General Shareholders' Meeting granted the Executive Board the authority to acquire own shares of the Company on 22 April 2009 for a period up to and including 21 October 2010. In accordance with article 9 of the Articles of Association, it is proposed to again grant the Executive Board the authority to acquire own shares of the Company through stock exchange trading or otherwise, for a period of 18 months from the date of the Annual General Shareholders' Meeting and therefore up to and including 19 October 2011. The delegation of authority relates to the maximum number of shares mentioned in article 9 under 2(b) of the Articles of Association, for prices not below the nominal value and not exceeding the higher of (a) 105% of the average market price of the Company's ordinary shares on Euronext Amsterdam during the five trading days immediately preceding the date of the re-purchase, (b) the price of the last independent trade of an ordinary share of the Company on Euronext Amsterdam or (c) the then current independent bid for an ordinary share of the Company on Euronext Amsterdam. If the re-purchase concerns R shares, the price shall not be lower than the nominal value and not higher than if calculated on the basis of the price of the ordinary shares in which they can be converted.

**Item 12: Designation of the Combined Board as authorised body to issue shares, to grant options and to restrict pre-emptive rights (resolution)**

*12a. Designation of the Combined Board as authorised body to issue shares and to grant rights to acquire shares in the capital of the Company (resolution)*

Pursuant to a resolution passed by the General Shareholders' Meeting on 20 April 2009, the designation of the Combined Board as authorised body to issue shares and to grant rights to subscribe for shares as referred to in article 6 of the Articles of Association was extended for a period expiring on 21 October 2010. The Combined Board recommends and proposes to the General Shareholders' Meeting, for a period of 18 months from the date of the Annual General Shareholders' Meeting and therefore up to and including 19 October 2011, in accordance with and within the limits of article 6.2 of the Articles of Association, to designate the Combined Board as authorised body:

- (i) to issue shares and grant rights to acquire shares in the capital of the Company, provided this authority shall be limited to 10% of the issued share capital of the Company at close of trading on Euronext Amsterdam on 20 April 2010, plus an additional 10% of the issued share capital of the Company as per the same date in relation with mergers or acquisitions; furthermore and without application of the 10% limitation,
- (ii) to issue shares in the capital of the Company in so far as this would be done to meet obligations resulting from the exercise of rights to acquire shares under approved share (option) schemes, it being understood that the authority under (i) and (ii) shall be restricted by the limitations provided in article 6.2 of the Articles of Association.

*12b. Extension of the designation of the Combined Board as authorised body to limit or exclude statutory pre-emptive rights to the issuance of shares (resolution)*

The Combined Board recommends and proposes to the General Shareholders' Meeting, for a period of 18 months from the date of the Annual Shareholders' General Meeting and therefore up to and including 19 October 2011, in accordance with and within the limits of article 7.4 of the Articles of Association, to extend the current designation of the Combined Board as authorised body to limit or exclude the statutory pre-emptive rights of shareholders at an issue of shares or a grant of rights to acquire shares in the capital of the Company, which is resolved upon by the Combined Board pursuant to Item 12a.

## Biographical information

As referred to in article 15 under 3 of the Articles of Association, concerning members of the Executive Board seeking re-appointment at the 2010 Annual Shareholders' General Meeting

### **Erik Engstrom (46)** (Swedish)

Appointed Chief Executive Officer of Reed Elsevier NV, Reed Elsevier Group plc, and Reed Elsevier PLC in November 2009. Appointed member of the Executive Board of Reed Elsevier NV, Executive Director of Reed Elsevier Group plc and Reed Elsevier PLC and Chief Executive Officer of the Elsevier division in 2004. Prior to joining Reed Elsevier was a partner at General Atlantic Partners. Before that was president and chief operating officer of Random House Inc and, before its merger with Random House, president and chief executive officer of Bantam Doubleday Dell, North America. Began his career as a consultant with McKinsey. Served as a non-executive director of Eniro AB and Svenska Cellulose Aktiebolaget SCA.  
Number of securities held in the Company: 365,580

### **Mark Armour (55)** (British)

Chief Financial Officer of Reed Elsevier Group plc and Reed Elsevier PLC since 1996, and of Reed Elsevier NV since 1999. Prior to joining Reed Elsevier was a partner in Price Waterhouse.  
Number of securities held in the Company: 136,889

As referred to in article 21.4 of the Articles of Association, concerning members of the Supervisory Board seeking re-appointment at the 2010 Annual General Shareholders' Meeting

### **Robert Polet (54)** (Dutch)

Appointed 2007. Member of the Remuneration Committee and of the Corporate Governance Committee. President and Chief Executive Officer of Gucci Group. Before that spent 26 years at Unilever working in a variety of marketing and senior executive positions throughout the world including President of Unilever's Worldwide Ice Cream and Frozen Foods division.  
Number of securities held in the Company: none

### **Anthony Habgood (63)** (British)

Appointed 2009 as Chairman. Chairman of Reed Elsevier's Nominations and Corporate Governance Committees, and a member of the Remuneration Committee. Chairman of Whitbread plc. Previous directorships include: Chairman of Bunzl plc and of Mölnlycke Healthcare Limited; and a director of SVG Capital plc; Marks and Spencer plc; Powergen plc; National Westminster Bank plc; and Geest plc. Served as Chief Executive of Bunzl plc, Chief Executive of Tootal Group plc and a director of The Boston Consulting Group Inc.  
Number of securities held in the Company: none

### **Ben van der Veer (58)** (Dutch)

Appointed 2009. Member of the Audit Committee and of the Corporate Governance Committee. Member of the supervisory boards of AEGON NV, TomTom NV, Siemens Nederland NV and Koninklijke FrieslandCampina NV. Was chairman of the executive board of KPMG in the Netherlands and a member of the management committee of the KPMG International board until his retirement in 2008.  
Number of securities held in the Company: 1,298

## Reed Elsevier NV Annual General Meeting of Shareholders 20 April 2010

### Record date and notification

The Executive Board has determined that for this meeting the persons who will be considered as entitled to vote and/or attend the meeting, are those persons who are registered as such in a (sub)register designated by the Executive Board on **Tuesday 23 March 2010 (Record Date)**, after processing of all settlements on that date and who have made a notification in the manner set out below. The (sub)registers which have been designated as such are the records as at the Record Date of institutions affiliated to Euroclear Nederland (**Euroclear**) within the meaning of the Giro Securities Transfer Act (Wet giraal effectenverkeer). For holders of shares who are not administered via Euroclear, the designated (sub)register is the Company's register of shareholders.

Holders of shares and holders of a right of pledge or a right of usufruct on such shares with voting rights administered via Euroclear who wish to attend the meeting in person or appoint a representative, must notify The Royal Bank of Scotland N.V. (**RBS**) via the institution affiliated with Euroclear (*aangesloten instelling*) in whose administration their shares are registered. Affiliated institutions must submit to RBS by **Tuesday 13 April 2010 at 5pm CET** at the latest, for each shareholder concerned a written statement that they wish to attend the meeting including the number of shares notified for registration and held by shareholder at the Record Date. The shareholder will receive a confirmation of its notification for the meeting, including the number of shares registered for the meeting. This will serve as admission certificate and upon submission thereof at the Marriott Hotel prior to the AGM on 20 April 2010, the shareholder, respectively his proxy will be given access to the meeting.

Holders of shares and holders of a right of pledge or a right of usufruct on such shares with voting rights who are registered in person in the register of shareholders of the Company at 5pm CET as of the Record Date will be entitled to attend the AGM if they have notified the Executive Board of the Company by **Tuesday 13 April 2010 at 5pm CET** in writing (see contact details below) of their attendance. The shareholder will receive confirmation of his notification from the Company. This will serve as admission certificate and upon submission thereof at the offices of the Company prior to the AGM on 20 April 2010, the shareholder respectively his proxy will be given access to the meeting.

### Representation by proxy

Subject to compliance with the above provisions, shareholders can attend and vote at the AGM in person or by proxy. Proxies need to be in writing (form available free of charge on [www.reedelsevier.com](http://www.reedelsevier.com)) and should at the discretion of the Company sufficiently identify the shareholder and the proxy holder and the number of shares for which the proxy holder will represent the shareholder at the AGM. In order to give proxy and voting instructions, the shareholder (a) must have registered its shares as set out above and (b) the proxy must be received by the Company (see contact details below) no later than **Tuesday 13 April 2010 at 5pm CET**.

Proxy holders representing multiple shareholders who have received voting instructions such that they cannot vote all the shares which they are representing in the same manner (for, against, abstain) for each individual agenda item, will need to contact the Company Secretariat (see the contact details below) no later than **Tuesday 13 April 2010 at 5pm CET**, in order to procure appropriate processing of their instructions at the AGM. Holders of shares who will not be attending the meeting in person may also give proxy to the Company Secretary and cast their votes on-line via the RBS e-voting system up until Tuesday 13 April 2010 at 5pm CET. For further information, please visit [www.rbs.com/evoting](http://www.rbs.com/evoting).

**Shareholders' Communication Channel**

Shareholders participating in the Shareholders' Communication Channel will receive by mail or via email instructions on the manner in which they can be represented at the meeting. They have the facility to vote electronically via *www.proxyvote.nl*, by using the control number on the proxy form.

**Persons without a valid admission certificate will not be given access to the meeting. Attendants may be asked for identification prior to being admitted.**

Amsterdam, 18 March 2010  
Combined Board

*Communication with the Company regarding the above information through:*

Company Secretariat  
Reed Elsevier NV  
telephone +31 (0)20 485 2906  
fax +31 (0)20 485 2032  
P.O. Box 470  
1000 AL Amsterdam  
The Netherlands

## **Travel directions to the Marriott Hotel**

### **By public transport**

The Marriott Hotel is situated downtown Amsterdam and can be reached easily by tram and bus.

#### *By tram*

From Amsterdam Central Station, we advise you to take trams 1, 2 or 5 (tram stop Leidseplein).

#### *By bus*

From Amsterdam Central Station, take Connexion bus 170 or 172 (bus stop Leidseplein).

### **By car**

Take the A10 West motorway and then take exit S106. Turn right at the end of this exit and keep going straight ahead. Leave the Surinameplein (roundabout) on your left, cross the bridge to the Kostverlorenvaart and turn left. Now you are driving on Overtoom. Follow this road to the end and turn right. You will find the Amsterdam Marriott Hotel on your right hand side.

### **Parking at the Marriott**

The hotel has very limited parking space behind the hotel.

Reed Elsevier cannot guarantee parking.

Should the hotel garage be full, an alternative is the nearby Byzantium Garage.

The Reed Elsevier meeting organisation provides free exit tickets to both garages.

## Annex I to the Explanatory notes to the agenda

### CORPORATE GOVERNANCE STATEMENT REED ELSEVIER NV 2009

In accordance with best practice provision I.1 of the Dutch Corporate Governance Code 2008 (the **Dutch Code**), Reed Elsevier NV explains the broad outline of the corporate governance structure of the company in a separate chapter of the annual report, partly by reference to the principles mentioned in the Dutch Code, indicating expressly to what extent it applies the best practice provisions in the Dutch Code and to explain to what extent it does not.

In addition, in accordance with the *Vaststellingsbesluit nadere voorschriften omtrent de inhoud van het jaarverslag*, Reed Elsevier publishes a statement relating to corporate governance annually as part of its annual report. As permitted under the regulations, Reed Elsevier has opted to publish its corporate governance statement by posting it on its website, [www.reedelsevier.com](http://www.reedelsevier.com). This Corporate Governance Statement is incorporated by reference in the Reed Elsevier Annual Reports and Financial Statements 2009 and as such cannot be amended.

The Combined Board has assessed and reviewed the corporate governance structure of Reed Elsevier NV in light of the amended Dutch Code that is applicable as of 1 January 2009.

The Combined Board of Reed Elsevier believes that Reed Elsevier's corporate governance as described herein is the most appropriate at this point in time.

#### Corporate structure

Reed Elsevier came into existence in January 1993, when Reed Elsevier PLC and Reed Elsevier NV contributed their business to two jointly owned companies, Reed Elsevier Group plc, a UK registered company which owns the publishing and information businesses, and Elsevier Reed Finance BV, a Dutch registered company which owns the financing activities. Reed Elsevier PLC and Reed Elsevier NV have retained their separate legal and national identities and are publicly held companies. Reed Elsevier PLC's securities are listed in London and New York, and Reed Elsevier NV's securities are listed in Amsterdam and New York. Reed Elsevier PLC and Reed Elsevier NV entered into a Governing Agreement to regulate their relationship following the merger of their respective businesses. The agreement regulates the economic interests of the parties and the composition of their boards and those of Reed Elsevier Group plc and of Elsevier Reed Finance BV as further referred to below.

#### Equalisation arrangements

Reed Elsevier PLC and Reed Elsevier NV each hold a 50% interest in Reed Elsevier Group plc. Reed Elsevier PLC holds a 39% interest in Elsevier Reed Finance BV, with Reed Elsevier NV holding a 61% interest. Reed Elsevier PLC additionally holds a 5.8% indirect equity interest in Reed Elsevier NV, reflecting the arrangements entered into between the two companies at the time of the merger, which determined the equalisation ratio whereby one Reed Elsevier NV ordinary share is, in broad terms, intended to confer equivalent economic interests to 1.538 Reed Elsevier PLC ordinary shares. The equalisation ratio is subject to change to reflect share splits and similar events that affect the number of outstanding ordinary shares of either Reed Elsevier PLC or Reed Elsevier NV.

Under the equalisation arrangements, Reed Elsevier PLC shareholders have a 52.9% economic interest in Reed Elsevier and Reed Elsevier NV shareholders (other than Reed Elsevier PLC) have a 47.1% economic interest in Reed Elsevier. Holders of ordinary shares in Reed Elsevier PLC and Reed Elsevier NV enjoy substantially equivalent dividend and capital rights with respect to their ordinary shares.

The boards of both Reed Elsevier PLC and Reed Elsevier NV have agreed, other than in special circumstances, to recommend equivalent gross dividends (including, with respect to the dividend on Reed Elsevier PLC ordinary shares, the associated UK tax credit) based on the equalisation ratio. A Reed Elsevier PLC ordinary share pays dividends in sterling and is subject to UK tax law with respect to dividend and capital rights. A Reed Elsevier NV ordinary share pays dividends in euros and is subject to Dutch tax law with respect to dividend and capital rights. The exchange rate used for each dividend calculation is the spot euro/sterling exchange rate, averaged over a period of five consecutive business days commencing with the tenth business day before the announcement of the proposed dividend.

## **The Boards**

Reed Elsevier NV has a two-tier board system, comprising an Executive Board and a Supervisory Board. The members of the Executive Board and the members of the Supervisory Board together form the Combined Board. It is established board practice at Reed Elsevier NV that the members of both boards meet together as the Combined Board. The Boards of Reed Elsevier PLC and Reed Elsevier Group plc are one-tier Boards. In anticipation of the proposal to enact legislation to formalise the one-tier board model in the Netherlands Civil Code, the Combined Board of Reed Elsevier NV is assessing whether to restructure the governance of Reed Elsevier NV to establish a one-tier board governance structure.

The board of Reed Elsevier PLC, the Combined Board of Reed Elsevier NV and the board of Reed Elsevier Group plc are harmonised. All of the directors of Reed Elsevier Group plc are also members of the board of directors of Reed Elsevier PLC and are a member of either the Executive Board or the Supervisory Board of Reed Elsevier NV. Reed Elsevier NV may nominate for appointment two directors who are not appointed to the boards of either Reed Elsevier PLC or Reed Elsevier Group plc. Following the appointment of Marike van Lier Lels to the Reed Elsevier NV Supervisory Board in January 2010, there are currently two such directors serving on the Reed Elsevier NV Supervisory Board. Dien de Boer-Kruyt will retire as a member of the Reed Elsevier NV Supervisory Board at the conclusion of the 2010 Annual General Meeting.

## **Executive Board**

The Executive Board is entrusted with the management of the company. The Executive Board functions as a collective body with shared responsibility. The number of members of the Executive Board is determined by the Combined Board, but shall at all times be less than the number of members of the Supervisory Board.

Members of the Executive Board shall be appointed by the General Shareholders' Meeting on the basis of a proposal of the Combined Board. In order to safeguard the agreed board harmonisation with the Board of Reed Elsevier PLC, the articles of association of Reed Elsevier NV provide that a resolution of the General Shareholders' Meeting to appoint a member of the Executive Board other than in accordance with the proposal of the Combined Board can only be taken by a majority of at least two-thirds of the votes cast if less than one-half of the company's issued capital is represented at the meeting. Given the still generally low attendance rate at shareholders' meetings in the Netherlands, the boards believe that this qualified majority requirement is appropriate for this purpose.

Members of the Executive Board are appointed for a three-year term, with the possibility of re-appointment and shall retire periodically in accordance with a rotation plan drawn up by the Combined Board. They shall retire no later than three years after appointment. The rotation plan is published on the Reed Elsevier website, [www.reedelsevier.com](http://www.reedelsevier.com).

Each member of the Executive Board can at any time be suspended or dismissed by the General Shareholders' Meeting.

The Combined Board has established rules regarding the decision-making process and working methods of the Executive Board in accordance with article 16.4 of the articles of association of Reed Elsevier NV. These Rules for the Boards of Reed Elsevier NV have been revised to align them with the Dutch Code and are published on the Reed Elsevier website, [www.reedelsevier.com](http://www.reedelsevier.com).

Members of the Executive Board may not be a member of the supervisory board of more than two listed companies or chairman of the supervisory board of a listed company. Membership of the Supervisory Board or the Board of any other Reed Elsevier company does not count for this purpose. Acceptance of external supervisory board memberships or non-executive directorships is subject to approval by the Supervisory Board. This is in line with provision II.1.8 of the Dutch Code.

The handling of any (apparent) conflict of interest between a member of the Executive Board and the company is governed by the Rules for the Boards of Reed Elsevier NV that are published on the Reed Elsevier website, [www.reedelsevier.com](http://www.reedelsevier.com). In 2009, no (potential) conflicts of interest were reported that are of material significance to the company.

In line with the remuneration policy adopted by the General Shareholders' Meeting in April 2005 as amended per April 2008, the remuneration of the members of the Executive Board is determined by the Supervisory Board at the recommendation of the Remuneration Committee of Reed Elsevier Group plc.

For further information on remuneration of the Executive Board, see the Director's Remuneration Report in the Reed Elsevier Annual Reports 2009.

The main elements of the amended contract between Erik Engstrom and Reed Elsevier Group plc have been made public after it has been concluded in accordance with provision II.2.14 of the Dutch Code.

### **Supervisory Board**

The duties of the Supervisory Board are to supervise the management of the Executive Board, to supervise the policies of the Executive Board and the general affairs in the company and the business connected with it, and to assist the Executive Board by providing advice.

The number of members of the Supervisory Board is determined by the Combined Board. The number of members of the Supervisory Board must always exceed the number of Executive Board members.

Members of the Supervisory Board shall be appointed by the General Shareholders' Meeting on the basis of a proposal of the Combined Board. In order to safeguard the agreed board harmonisation with the Board of Reed Elsevier PLC, the articles of association of Reed Elsevier NV provide that a resolution of the General Shareholders' Meeting to appoint a member of the Supervisory Board other than in accordance with the proposal of the Combined Board can only be taken by a majority of at least two-thirds of the votes cast if less than one-half of the company's issued capital is represented at the meeting. Given the still generally low attendance rate at shareholders' meetings in the Netherlands, the boards believe that this qualified majority requirement is appropriate for this purpose.

Members of the Supervisory Board are appointed for a three-year term, with the possibility of re-appointment and shall retire periodically in accordance with a rotation plan drawn up by the Combined Board. They shall retire no later than three years after appointment. The rotation plan is published on the Reed Elsevier website, [www.reedelsevier.com](http://www.reedelsevier.com). As a general rule, members of the Supervisory Board serve for two three-year terms. The Nominations Committee may recommend that individual directors serve up to one additional three-year term. This is within the maximum stipulated in best practice provision III.3.5 of the Dutch Code.

The profile for the Supervisory Board shall be taken into account for a proposal for appointment to the Supervisory Board. The profile for the Supervisory Board has been updated in view of the Dutch Code 2009 and has been posted on the Reed Elsevier website, [www.reedelsevier.com](http://www.reedelsevier.com). All members of the Supervisory Board are independent within the meaning of best practice provision III.2.2 of the Dutch Code.

Each member of the Supervisory Board can at any time be suspended or dismissed by the General Shareholders' Meeting.

The Combined Board has established rules regarding the decision-making process and working methods of the Supervisory Board in accordance with article 22.5 of the articles of association of Reed Elsevier NV. These Rules for the Boards of Reed Elsevier NV are published on the Reed Elsevier website, [www.reedelsevier.com](http://www.reedelsevier.com).

As per the provisions of the Governing Agreement, the members of the Supervisory Board will also hold office as a non-executive member of the boards of directors of Reed Elsevier PLC and Reed Elsevier Group plc, it being understood that a maximum of two members may be excluded from holding such office.

Members of the Supervisory Board may hold executive or non-executive directorships and other offices with companies or organisations not related to Reed Elsevier, provided these have been disclosed to the company and do not interfere with their functioning as a member of the Supervisory Board or the Combined Board. Such will be determined by the Chairman of the Supervisory Board. A member of the Supervisory Board shall restrict memberships of the supervisory boards of Dutch listed companies to such an extent that the proper performance of his duties is assured.

The maximum number of memberships of supervisory boards of Dutch listed companies is five, for which purpose the chairmanship of a supervisory board counts double. Membership of the supervisory board or the Board of any other Reed Elsevier company does not count for this purpose. This is in line with provision III.3.4 of the Dutch Code.

The handling of any (apparent) conflict of interest between a member of the Supervisory Board and the company is governed by the Rules for the Boards of Reed Elsevier NV that are published on the Reed Elsevier website, [www.reedelsevier.com](http://www.reedelsevier.com). In 2009, no (potential) conflicts of interest were reported that are of material significance to the company.

The Chairman of the Supervisory Board is responsible for the proper functioning of the Supervisory Board and of the Combined Board and acts on behalf of the Supervisory Board as the main contact for the Executive Board and for shareholders regarding the Executive and Supervisory Board members. The Chairman determines the agenda of the Supervisory Board and of the Combined Board, chairs the meetings of the Supervisory Board and of the Combined Board, monitors the proper functioning of the Supervisory Board and of the Combined Board and of the Committees. The Chairman ensures that the Supervisory Board has proper contact with the Executive Board. He ensures, as Chairman, the orderly and efficient conduct of the General Shareholders' Meeting. The Chairman has such further duties and authorities as are set out in the Rules for the Boards of Reed Elsevier NV, which are available on the Reed Elsevier website, [www.reedelsevier.com](http://www.reedelsevier.com).

The senior independent director or Vice-Chairman, who is a member of the Supervisory Board, shall deputise for the Chairman when the occasion arises and shall act as contact for individual members of the Supervisory Board concerning the functioning of the Chairman of the Supervisory Board. The senior independent director is available to meet with institutional shareholders and to assist in resolving concerns in cases where alternative channels are inappropriate. The senior independent director also leads the annual assessment of the functioning and performance of the Chairman of the Supervisory Board.

The Chairman is assisted in his role by the Company Secretary. All members of the Combined Board have access to the advice and services of the Company Secretary, who is responsible for ensuring that the procedures for the Boards of Reed Elsevier and the arrangements under the Governing Agreement are followed and that the Boards act in accordance with their statutory obligations under the Articles of Association.

The Supervisory Board discusses at least once a year without the presence of the members of the Executive Board, the functioning of the Supervisory Board, the Executive Board, the individual members of each of the Boards, the functioning of its Committees and, led by the senior independent director, also assesses the performance of the Chairman of the Supervisory Board. This assessment was performed in November 2009. Using questionnaires completed by all members of the Boards, the Corporate Governance Committee reviewed the functioning and constitution of the Boards and their Committees. The results were subsequently discussed in a meeting of the Combined Board and in a meeting of the Supervisory Board, partly without the Chairman attending that meeting. Based on these assessments and on the board effectiveness review, the Committee believes that the performance of each member of the Boards continues to be effective and that they demonstrate commitment to their respective roles in Reed Elsevier.

It is established board practice that the Combined Board discusses the corporate strategy and the main risks of the business, the result of the assessment by the Executive Board of the design and effectiveness of the internal risk management and control systems as well as any significant changes thereto at least once a year. The strategy discussions were held during a meeting in September 2009, the assessment of the risks of the business and the internal risk management and control systems were discussed in February 2009 and again in February 2010.

Reed Elsevier seeks to recruit non-executive directors with the experience to contribute to the boards of a dual headed global business and with a balance of personal skills that will make a major contribution to the boards and their committee structures. With the exception of Dien de Boer-Kruyt and Marike van Lier Lels who serve only on the Supervisory Board of Reed Elsevier NV, members of the Supervisory Board of Reed Elsevier NV are also appointed as non-executive directors of the Boards of Reed Elsevier PLC and Reed Elsevier Group plc. Non-executive directors, including the Chairman, serve under letters of appointment. For further information,

see the Director's Remuneration Report in the Reed Elsevier Annual Reports 2009.

The Supervisory Board currently has nine members and the age and gender diversity in the composition of the Supervisory Board is deemed to be appropriate. The ages of the members of the Supervisory Board vary from just 50 to late 60's. Six members of the Supervisory Board are men and three women serve on the Supervisory Board. After retirement of Dien de Boer-Kruyt, the Supervisory Board will be composed of eight members, of which two are women.

The Rules for the Boards of Reed Elsevier NV comprise rules relating to ownership of securities other than in Reed Elsevier. Under these rules, directors are required to notify the Company Secretary annually of any interest which they hold in Dutch listed companies other than Reed Elsevier NV, unless the Director has transferred the discretionary management of his securities portfolio to an independent third party.

### **Combined Board**

The Combined Board comprises all members of the Executive Board and all members of the Supervisory Board. The Chairman and senior independent director of the Supervisory Board shall also act as Chairman and senior independent director of the Combined Board. The Combined Board has the duties and powers conferred upon it under the Governing Agreement and the Articles of Association of Reed Elsevier NV.

The Combined Board has established rules regarding the decision-making process and working methods of the Combined Board in accordance with article 27.2 of the articles of association of Reed Elsevier NV. These Rules for the Boards of Reed Elsevier NV are published on the Reed Elsevier website, [www.reedelsevier.com](http://www.reedelsevier.com).

The Combined Board may only pass valid resolutions in a meeting if the majority of the members of the Supervisory Board in office at the time of the resolution are present or represented. Attendance by means of a video or telephone link is permitted.

In article 29A of the Articles of Association, all members and former members of the Executive Board and the Supervisory Board are granted an indemnity from Reed Elsevier NV to the extent permitted by law in respect of liabilities incurred as a result of their office.

### **Board induction and information**

On appointment and as required, members of the Boards receive training appropriate to their level of previous experience. This includes the provision of a tailored induction programme so as to provide newly appointed Board members with information about the Reed Elsevier businesses and other relevant information to assist them in performing their duties. Members of the Supervisory Board are encouraged to visit the Reed Elsevier businesses to meet management and senior staff.

All members of the Supervisory Board have full and timely access to the information required to discharge their responsibilities fully and efficiently. They have access to the services of the respective company secretaries, other members of Reed Elsevier's management and staff, and external advisors.

Members of the Supervisory Board may take independent professional advice in the furtherance of their duties, at the company's expense.

In addition to scheduled Board and Board Committee meetings held during the year, members of the Boards attend many other meetings and site visits. Where a member of the Board is unable to attend a Board or Board Committee meeting he or she is provided with all relevant papers and information relating to that meeting and is able to discuss issues arising with the respective Chairman and other Board members.

### **Committees**

In accordance with the principles of good corporate governance, the following Committees, all of which have written terms of reference, have been established by the respective Boards. The terms of reference of the Committees are published on the Reed Elsevier website, [www.reedelsevier.com](http://www.reedelsevier.com).

Audit Committees: Reed Elsevier PLC, Reed Elsevier NV and Reed Elsevier Group plc have established Audit Committees. The Committees comprise only non-executive directors, all of whom are independent, and are chaired by Lord Sharman. A report of the Audit Committees, setting out the role of the Committees and their main activities during the year, appears on pages 79 and 80 of the Reed Elsevier Annual Reports 2009.

Remuneration Committee: Reed Elsevier Group plc has established a Remuneration Committee, which is responsible for recommending to the boards the remuneration for the executive directors of Reed Elsevier Group plc, Reed Elsevier PLC and Reed Elsevier NV. The Committee, which during 2009 comprised only independent non-executive directors, is chaired by Mark Elliott. Anthony Habgood was appointed a member of the Committee in January 2010. A Directors' Remuneration Report, which has been approved by the boards of Reed Elsevier Group plc, Reed Elsevier PLC and Reed Elsevier NV, is included on pages 62 to 78 of the Reed Elsevier Annual Report 2009. This report also serves as disclosure of the directors' remuneration policy, and the remuneration and interests of the directors in the shares of the two parent companies, Reed Elsevier PLC and Reed Elsevier NV.

Nominations Committee: Reed Elsevier PLC and Reed Elsevier NV have established a joint Nominations Committee, which provides a formal and transparent procedure for the selection and appointment of new directors to the Boards. Following the retirement of Sir Crispin Davis in March 2009, the Committee now comprises only independent non-executive directors. In 2009, having concluded its search process (using external search consultants), the Committee had recommended to the Supervisory Board of Reed Elsevier NV that Anthony Habgood, Ben van der Veer and Marike van Lier Lels be appointed a Supervisory Board member of Reed Elsevier NV. The appointments were approved at extraordinary general shareholder's meetings held on 26 May 2009, 3 September 2009 and on 13 January 2010 respectively. The Supervisory Board appointed Anthony Habgood as its Chairman effective 1 June 2009.

The Committee's terms of reference include assuring board succession and making recommendations to the Boards of Reed Elsevier NV, Reed Elsevier PLC and Reed Elsevier Group plc concerning the appointment or re-appointment of directors to, and the retirement of directors from, those Boards. In conjunction with the Chairman of the Reed Elsevier Group plc Remuneration Committee and external consultants, the Committee is also responsible for developing proposals for the remuneration and fees for new directors. In recommending appointments to the Reed Elsevier NV Supervisory Board, the Committee considers the knowledge, experience and background of individual directors and the Supervisory Board as a whole, having regard to the profile adopted for the constitution of the Supervisory Board (see [www.reedelsevier.com](http://www.reedelsevier.com)).

Corporate Governance Committee: Reed Elsevier NV and Reed Elsevier have established a joint Corporate Governance Committee, which is responsible for reviewing ongoing developments and best practice in corporate governance. The Committee is also responsible for recommending the structure and operation of the various committees of the Boards and the qualifications and criteria for membership of each Committee, including the independence of members of the Boards. The Committee comprises only non-executive directors and is chaired by Anthony Habgood. Marike van Lier Lels was appointed a member of the Committee in January 2010.

#### **Information pursuant to Decree Article 10 Take-over Directive**

In accordance with article 9 of the Articles of Association, at the 2009 General Shareholders' Meeting a resolution was passed to extend the authority given to the Executive Board to purchase up to 10% of shares by market purchase for a period of 18 months from the date of the Annual General Shareholders' Meeting and therefore up to and including 21 October 2010. A resolution to further extend the authority is to be put to the 2010 General Shareholders' Meeting.

In accordance with articles 6 and 7 of the Articles of Association, at the 2009 Annual General Shareholders' Meeting the Combined Board was authorised, until 21 October 2010, to issue shares and to grant rights to subscribe for shares representing up to 10% of the issued capital of the company (other than to meet obligations resulting from the rights to acquire shares under share option schemes) and an additional 10% of the issued share capital of Reed Elsevier NV in relation with mergers or acquisitions and to restrict or cancel pre-emptive rights of existing shareholders in respect of any such issuance. A resolution to renew such authority will be put to the 2010 Annual General Shareholders' Meeting.

Shares may be issued pursuant to a resolution of the Annual General Shareholders' Meeting or by the Combined Board insofar as that Board has been designated by the General Shareholders' Meeting as the authorised body to issue shares. The resolution to designate the Combined Board as the authorised body to issue shares must stipulate the aggregate nominal value up to which shares may be issued pursuant to a resolution of the Combined Board. The same provisions are applicable to the granting of rights to subscribe for shares.

### **Compliance with codes of best practice**

The boards of Reed Elsevier NV and Reed Elsevier PLC have implemented standards of corporate governance and disclosure policies applicable to companies listed on the stock exchanges of the United Kingdom, the Netherlands and the United States. The effect of this is that a standard applying to one will, where not in conflict, also be observed by the other.

The Combined Board supports the principles and provisions of corporate governance contained in the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008 (the UK Code). The Combined Board also supports the principles and best practice provisions set out in the Dutch Corporate Governance Code issued in December 2008 (the Dutch Code), with due regard for the recommendations of the Monitoring Committee in its annual reports and subject to certain exceptions as explained below. Reed Elsevier PLC, which has its primary listing on the London Stock Exchange, and Reed Elsevier NV, which has its primary listing on Euronext Amsterdam, have complied throughout the year with the UK Code and, subject to limited exceptions as explained below, have applied the Dutch Code.

### **Dutch Corporate Governance Code**

During the reporting period, Reed Elsevier assessed the implications of the new Dutch Code published in December 2008, effective for accounting periods commencing on or after 1 January 2009. The implications have been discussed at the Board meetings of July 2009 and February 2010. Certain amendments have been made in various regulations and policies of the company in accordance with the amended Dutch Code. Reed Elsevier NV will present a broad outline of its corporate governance structure and compliance with the amended Dutch Code for discussion as a separate agenda item at the Annual General Shareholders' Meeting in 2010.

The corporate governance principles and best practices are set out in this Corporate Governance Statement which is published on the Reed Elsevier website. The Combined Board of Reed Elsevier NV has adopted rules governing the functioning of the Boards and the relationship with shareholders, reflecting the requirements of the Dutch Code, which are published on the Reed Elsevier website, [www.reedelsevier.com](http://www.reedelsevier.com).

Reed Elsevier NV and Reed Elsevier PLC are subject to various corporate governance principles and best practice codes, in particular the Dutch Code and the UK Code. Reed Elsevier NV may not apply fully the verbatim language of all principles and best practice provisions these codes, but does fully support and apply the best practice provisions of the Combined Code. The following recommendations of the Dutch Code are not fully applied for reasons explained below:

**> Best practice provision II.2.5:** Executive directors are required to build up a minimum shareholding and Reed Elsevier uses long term incentive arrangements in the form of awards of shares which may vest after three years. The intent of this shareholding policy is to align the interests of senior executives and shareholders. This intent is in compliance with the Code. Shares received on joining the company in compensation for vested benefits under incentive schemes from a previous employer are not to be considered as free shares in this context.

**> Best practice provision II.2.8:** Reed Elsevier has arrangements that are commensurate with local and legal requirements to ensure a competitive employment offer to its board members. Executive directors have employment agreements under English law or New York law that provides for a notice period not exceeding one year. There are currently no executive directors with employment agreements under Dutch law. In the event of dismissal, notice is given in accordance with the agreed notice period. The payment during the notice period may be mitigated if the director finds other employment within this period. The application of this arrangement may fall within the best practice provision that remuneration in the event of dismissal may not exceed the fixed component of one year's salary. There are no other severance arrangements in place for the executive directors and none of the employment agreements contain severance pay arrangements. Although the principle that severance

pay should not exceed the fixed component of one year's salary is supported, there may be exceptional circumstances where this maximum would be manifestly unreasonable that could justify additional compensation on termination for loss of variable remuneration components. Full disclosure on remuneration in event of dismissal is provided in the Director's Remuneration Report in the Reed Elsevier Annual Reports and Financial Statements 2009.

> **Best practice provisions II.2.13 and II.2.14:** In view of their detailed specificity and complexity and because of the confidential or potentially commercially sensitive nature of the information concerned, individual performance targets and achievements relevant for variable executive remuneration will only be disclosed in general terms.

> **Principle III.5:** Until his retirement in March 2009, the Chairman of the Executive Board was a member of the Nominations Committee (see page 5 above).

> **Best practice provision II.3.4 and III.6.3:** The disclosure of transactions where directors have a conflict of interest, as required by these provisions, shall be qualified to the extent required under applicable rules and laws pertaining to the disclosure of price sensitive information, confidentiality and justified aspects of competition.

> **Principle III.7:** The remuneration of Supervisory Board members is determined by the Combined Board in the context of the board harmonisation with Reed Elsevier PLC and Reed Elsevier Group plc, having regard for the maximum approved by the general meeting of shareholders.

> **Best practice provision IV.1.1:** Appointments, suspensions or removal procedures of members of the Executive Board or Supervisory Board are set out above. In order to safeguard the agreed board harmonisation with the Board of Reed Elsevier PLC, the articles of association of Reed Elsevier NV provide that a resolution of the General Shareholders' Meeting to appoint a member of the Executive or Supervisory Board other than in accordance with the proposal of the Combined Board can only be taken by a majority of at least two-thirds of the votes cast if less than one-half of the company's issued capital is represented at the meeting. Given the still generally low attendance rate at shareholders' meetings in the Netherlands, the Boards believe that this qualified majority requirement is appropriate for this purpose.

> **Best practice provision IV.3.1:** It is considered impractical and unnecessary to provide access for shareholders to all meetings with analysts and all presentations to investors in real time. Price sensitive and other information relevant to shareholders is disclosed as required or as appropriate and made available on the website.

### **General Shareholders' Meeting**

In accordance with Article 44 of the Articles of Association of Reed Elsevier NV, the provisions in the Articles of Association governing appointments and dismissals of members of the Executive and Supervisory Boards can be amended by a simple majority of shareholders in a General Meeting upon a proposal of the Combined Board. A resolution to amend the Articles of Association requires an absolute majority of the votes cast if the resolution is passed at the proposal of the Combined Board.

At least once a year, a General Shareholders' Meeting is held. Notices of a General Meeting are posted on the Reed Elsevier website and are made in accordance with the relevant provisions of the law, which currently means that an advertisement calling the meeting is published in a national newspaper at around 28 calendar days in advance. The agenda and explanatory notes for the General Shareholders' Meeting are published in advance on the website and are available at the listing agent and at the offices of Reed Elsevier NV.

The Combined Board values major participation by shareholders in the decision making process at the General Shareholders' Meeting. The Articles of Association provide for a record date, which limits the period that holders of shares cannot transfer their shares and this has been used at the recent General Shareholders' meetings. Shares are not blocked by the Company.

Reed Elsevier NV has two types of shares: ordinary shares of 0.07 euro nominal value and R shares of 0.70 euro nominal value. At the General Shareholders' Meeting, each ordinary share is entitled to cast one vote.

Each R-share is convertible into 10 ordinary shares and is entitled to cast ten (10) votes. Otherwise it has the same rights as an ordinary share, except that Reed Elsevier may pay a lower dividend on an R share, but not less than 1% of the nominal value of an R share. The ordinary shares are listed at Euronext Amsterdam.

The Annual General Shareholders' Meeting discusses the annual report, adopts the annual accounts, resolves on a proposal to pay a dividend and votes on release of the members of the Executive Board and the Supervisory Board from liability as separate agenda items in the Annual General Shareholders' Meeting.

### **Shareholder Relations**

Reed Elsevier attaches great value to shareholder relations. Reed Elsevier is member of the Foundation Communication Shareholders' Channel (*Stichting Communicatie Aandeelhouders Kanaal*). Further, Reed Elsevier uses the e-voting system offered by The Royal Bank of Scotland N.V. to enable shareholders to cast votes electronically at the General Shareholders Meeting. Shareholders that use this system receive confirmation that the votes have been cast as per the instruction and receive an automatic alert for each next shareholders' meeting.

In conformity with relevant laws and regulations, Reed Elsevier provides all shareholders and other parties in the financial markets with equal and simultaneous information about matters that may influence the share price, taking into account possible exceptions permitted by those laws and regulations. Procedures for externally communicating inside information have been set out in the Reed Elsevier Disclosure Policy dated 8 December 2009.

The Executive Board participates in regular dialogue with institutional shareholders, and presentations on the Reed Elsevier combined businesses are made after the announcement of the interim and full year results. Periodic reports on the views of the company's institutional shareholders are commissioned and the results are the subject of formal presentations to the Combined Board. The Combined Board shall procure that the General Shareholders' Meeting will receive all information that it reasonably requires for the exercise of its powers. The interim and annual results announcements and presentations, together with the trading updates and other important announcements concerning Reed Elsevier, are published on the Reed Elsevier website ([www.reedelsevier.com](http://www.reedelsevier.com)).

Reed Elsevier has formulated an outline policy on bilateral contacts with shareholders that is posted on the Reed Elsevier website ([www.reedelsevier.com](http://www.reedelsevier.com)).

### **Existing or potential anti-takeover measures**

Reed Elsevier NV has no specific anti-takeover measures. Reference is made to page 162 of the Reed Elsevier Annual Reports and Financial Statements 2009 for information on the Governing Agreement, which contains provisions that govern a take-over of Reed Elsevier PLC and Reed Elsevier NV and may be regarded as having an anti-takeover effect in respect of either company standing alone.

### **Corporate Social Responsibility**

Reed Elsevier has a Corporate Responsibility Forum that is chaired by the Chief Executive Officer, which sets objectives in respect of corporate responsibility encompassing governance, people, health and safety, customers, supply chain, environment and community. It also sets performance measures against these objectives. As part of its annual reporting process, Reed Elsevier also reports on its corporate responsibility achievements in the Corporate Responsibility Report that is available at [www.reedelsevier.com](http://www.reedelsevier.com).

### **Code of Ethics and Business Conduct**

The Combined Board, together with the board of directors of Reed Elsevier PLC, has adopted a Code on Ethics and Business Conduct that must be observed by the directors and employees of the company and of the Reed Elsevier combined businesses, which shall procure the observance by them of ethical behaviour in their functioning as directors or employees, both internally and externally, and observance of the rules and procedures laid down to protect the interests of the company, the Reed Elsevier combined businesses and their stakeholders and that will promote sustainable development.

### **Auditor/financial reporting**

The principles and best-practice provisions regarding the role, appointment, remuneration and assessment of the functioning of the external auditor (principle V.2) are supported. The external auditor shall attend the Annual

General Shareholders' Meeting to address the meeting in case of any queries in relation to the report of the fairness of the financial statements from the auditor.

The external auditor attends the meeting of the Combined Board at which the financial statements are determined.

The Executive Board and the Audit Committee report annually to the Supervisory Board on the independence of the external auditor, including on the desirability of rotating the responsible partner of the external audit firm that provides audit services and on non-audit services provided by the external auditor to Reed Elsevier.

A thorough assessment of the functioning of the external auditor is conducted by the Supervisory Board and the Audit Committee on an annual basis. This assessment has been integrated into the processes of internal control of financial reporting. The main conclusions of this assessment are communicated to the Annual General Shareholders' Meeting.

Reed Elsevier has an internal audit function that operates under the responsibility of the Board of Reed Elsevier Group plc and has direct access to the chairman of the Audit Committee of Reed Elsevier Group plc. The internal audit function also has access to the external auditor. Findings of the internal audit function are shared with the Audit Committee and the external auditor.

Reed Elsevier NV, 17 February 2010

## Annex II to the Explanatory notes to the Agenda

### Proposals for new long-term incentive arrangements

#### Agenda item 10b: Proposal for new long-term incentive plan: the Growth Plan and

#### Agenda item 10c: Proposal for new long-term incentive plan: the BIP 2010

Given the backdrop of the challenging year and volatile business environment, the Remuneration Committee (the **Committee**) has been actively engaged in the review and management of our executive compensation programmes over the last 12 months. The main focus of the review was the long-term incentive (“*LTI*”) arrangements, which the Committee considered in the context of the changes in the senior leadership team during 2009, Reed Elsevier’s strategy and the late cycle impact on our professional markets of the recent global economic recession.

The Committee concluded from this review that the existing LTI arrangements, with their primary focus on earnings growth, are no longer best positioned to meet shareholder interests. Whilst sustained growth in profitability remains important, in the context of the recent acquisition of ChoicePoint and growing internal capital investment, the Committee believes that a balanced pursuit of sustained earnings growth, capital discipline and shareholder returns provides a more appropriate basis to drive Reed Elsevier going forward.

In the development of the proposed new LTI arrangements, we consulted with some 30 major shareholders and shareholder representative bodies in the UK, the Netherlands and the US in early 2010. The input and feedback received during the consultation process shaped the LTI arrangements for which we are seeking shareholder approval and which are described in detail below. The new arrangements consist of two plans. The first is a one-off plan, the Reed Elsevier Group plc Growth Plan (the **Growth Plan**), under which awards will only be granted in 2010, subject to shareholder approval. The second is a successor plan to the current Reed Elsevier Group plc Bonus Investment Plan 2003 (the **BIP 2003**). The new plan is the Reed Elsevier Group plc Bonus Investment Plan 2010 (the **BIP 2010**), which is proposed to operate on an annual rolling basis from 2010.

Performance under the Growth Plan is measured by reference to Return on Invested Capital (**ROIC**), Earnings per Share (**EPS**) and relative Total Shareholder Return (**TSR**). Performance under the BIP 2010 is measured by reference to ROIC and EPS. The targets against each metric have been set within the context of Reed Elsevier’s 2009 annual results, the continuing challenging business environment and internal and external forecasts for 2010 and beyond. The targets for awards to be made in 2010 are considered stretching and are designed to provide exceptional reward for exceptional performance whilst providing participants with a realistic expectation that reward at the lower end of the scale is attainable subject to robust performance.

The Growth Plan will operate for executive directors in 2010. It replaces the Reed Elsevier Group plc Share Option Scheme (the **ESOS**) and the Reed Elsevier Group plc Long Term Incentive Share Option Scheme (the **LTIP**). Under these plans, **annual** grants were made prior to 2010 of market-priced options over shares with a market value of 300% of salary on the date of grant and 135% of salary in performance shares (with the opportunity to vest up to 189% of the initial award for exceptional performance).

In respect of senior management below board level, LTIP arrangements using similar performance measures to the Growth Plan, which may include a focus on business unit level performance, will be put in place as appropriate.

We intend to come back to shareholders possibly in 2011 to discuss how we revert to a more regular LTI plan going forward. Any such plan will be subject to shareholder approval.

In developing the new LTI arrangements, the Committee was sensitive and mindful of the need to ensure that the level of the overall incentive opportunity available under the proposed LTI arrangements (i.e. the Growth Plan and BIP 2010) remains within the parameters of the incentive framework previously approved by shareholders. Extensive modelling and scenario analysis was undertaken in order to assess the impact of the proposals using different assumptions. The modelling took account of the impact on payout levels of dividend equivalents which will accrue on the vested shares released under both plans. The Committee believes that there is no material difference between the annualised expected values of the current LTI arrangements (i.e. ESOS, LTIP and BIP 2003) and the proposed arrangements (i.e. the Growth Plan and BIP 2010) and has had this verified by Towers Watson, the independent advisors to the Committee. Furthermore, a cap on payout will apply to ensure that the maximum potential payouts do not exceed those of our current plans.

The Committee also specifically tested whether the proposed structure encouraged any inappropriate behaviours and excessive risk taking and how the metrics, in particular EPS and ROIC, are interrelated. The Committee concluded that the structure of the proposals, combined with the Reed Elsevier governance and risk management processes and claw-back provisions, provide the necessary checks and balances to prevent excessive risk taking. In addition, the Committee will keep a watching brief to ensure a balanced pursuit of performance against all metrics.

In determining the level of vesting under the plans, the Committee will take into account Reed Elsevier's overall business performance over the relevant period and any other factors as appropriate. The Committee will have discretion to adjust the vesting levels of awards if it believes such an adjustment would result in a fairer outcome. In exercising any such discretion, the Committee will have due regard to the value created for shareholders and the underlying business performance. The Committee will be open and transparent about its use of this discretion and will explain in the Remuneration Report the extent to which the discretion has been exercised and the reasons for doing so.

The plans are described below in sections 1 and 2. The features which are common to both plans are described in section 3.

## 1 The Growth Plan

### *Overview*

- 1.1 The Growth Plan is a one-off arrangement which will operate over a five year performance period (with potential partial release of shares after three years). Assuming shareholder approval of the plan is received, the Performance Share Awards will be granted in the 42 day period following the 2010 Annual General Meetings and Matching Share Awards will be granted within 42 days of the announcement of results for the 2012 financial year.
- 1.2 Participation in the Growth Plan is restricted to the Chief Executive Officer and the Chief Financial Officer of Reed Elsevier Group plc (the **Executives**). In respect of senior management below board level, LTIP arrangements using similar performance measures to the Growth Plan, which may include a focus on business unit level performance, will be put in place as appropriate.
- 1.3 In order to participate in the plan, an Executive is required to have a significant personal investment in Reed Elsevier shares (**Personal Shares**) which must be held for the duration of the plan. Performance Share Awards and Matching Share Awards will entitle an Executive to receive shares in Reed Elsevier PLC and Reed Elsevier NV at no cost, subject to the vesting conditions.
- 1.4 Shares required to satisfy awards will be from purchases on a recognised stock exchange and no new shares will be issued under the plan.

### *Individual Limits and caps*

- 1.5 Each type of award is subject to individual limits described in paragraphs 1.7 and 1.9 below. In addition, payouts under this plan are capped at 150% of the number of shares comprised in the initial Performance Share Award, excluding dividend equivalents payable on any vested Performance Shares or Matching Shares (the **Cap**). If an Executive ceases to be employed by Reed Elsevier in circumstances set out in paragraph 1.14 below, the Cap will be subject to pro-rating for service.

### *Personal shareholding commitment*

- 1.6 In order to participate in the plan, the Chief Executive Officer (**CEO**) and the Chief Financial Officer (**CFO**) of Reed Elsevier Group plc are required to hold Personal Shares to the value of 300% and 200% of their annual salary respectively as at the date a Performance Share Award is granted in 2010. The Executive must retain his Personal Shares until the expiry of the Growth Plan in early 2015 otherwise his unvested awards will lapse. Shares invested under the BIP 2003 and the BIP 2010 will not count towards this shareholding requirement.

### *Performance Share Awards*

- 1.7 The initial Performance Share Award will be 600% of an Executive's salary (as at the date of the award). This limit reflects the one-off nature of the plan, its five year duration and the fact that regular annual awards of 300% of salary in options and target awards of 135% of salary in performance shares will not be granted.
- 1.8 The number of Performance Shares which an Executive can earn is subject to performance against three measures (described below), measured after the end of the 2012 financial year. 50% of the resulting shares may vest and be released to the participant at that time (along with dividend equivalents – see paragraph 1.12 below) and the remaining 50% (the **Deferred Performance Shares**) will only vest and be released to the Executive after a subsequent two years, subject to continued employment with Reed Elsevier.

### *Matching Share Awards*

- 1.9 The number of shares comprised in a Matching Share Award is equal to the number of Personal Shares plus Deferred Performance Shares retained in the plan after three years.
- 1.10 The number of Matching Shares which an Executive can earn is subject to performance against three measures (described below) over a further two year period (i.e. financial years 2013 and 2014), except for relative TSR which will be measured over the five year period (2010 to 2014), subject to the Cap.

*Release of shares and dividend equivalents*

- 1.11 After the end of the 2014 financial year, all Personal Shares, Deferred Performance Shares and, to the extent the performance measures are satisfied, the Matching Shares will be released to an Executive, subject to the Cap.
- 1.12 An Executive will be eligible to receive dividend equivalents on vested Performance Shares, Deferred Performance Shares and vested Matching Shares to reflect ordinary dividends relating to those shares. It is intended that dividend equivalents will be paid in cash shortly following the date the awards vest, although they may also be paid in shares of an equivalent value.

*Cessation of Employment*

- 1.13 An Executive must generally remain employed by Reed Elsevier in order for any shares subject to an award to vest. If an Executive gives or receives notice of termination of employment for any reason other than those listed below, any Performance Share Awards, Deferred Performance Shares and Matching Share Awards will lapse. An Executive's Personal Shares will be released to him in full.
- 1.14 If an Executive ceases to be an employee of Reed Elsevier by reason of:
- (i) retirement with Company consent;
  - (ii) injury, disability or ill-health; or
  - (iii) any other reason which the Committee, in its absolute discretion, determines,

the following principles will generally apply:

- Performance Share Awards and Matching Share Awards will not lapse but will continue in the plan. Performance will be measured at the end of the relevant performance period and the resulting shares will be eligible for release subject to pro-rating for service.
- Personal Shares and, where applicable, Deferred Performance Shares may remain in the plan until the end of the five year performance period subject to pro-rating for service (unless, in the case of Deferred Performance Shares, an earlier release is required in order to comply with the exemption to Section 409A of the United States Internal Revenue Code). The balance will be released on termination.
- If an Executive leaves before the end of the 2012 financial year, he will continue to be eligible to receive a Matching Share Award. This award will be over such number of shares which equals the pro-rated number of his Personal Shares plus the pro-rated number of his Deferred Performance Shares, if any.

However, the Committee has discretion to allow the release of shares at the date of cessation of employment subject to performance and time pro-rating, in which case the Personal Shares would also be released at that time.

- 1.15 If a participant dies, the Performance Share Award and Matching Share Award, as applicable, may vest on death subject to performance and pro-rating for service. These shares, along with the participant's Personal Shares, will be released to the participant's personal representatives.

**Performance Measures**

- 1.16 The performance measures applicable to Performance Share Awards will be measured after the end of the 2012 financial year and the performance measures applicable to Matching Share Awards will be measured after the end of the 2014 financial year. There are three separate measures – a TSR measure, a ROIC measure and an EPS measure – each of which will apply to both types of awards. The determination of vesting levels under the measures is subject to the overall Cap on payouts under the Growth Plan described in paragraph 1.5 above.

*The TSR Measure:*

- 1.17 The vesting of one third of the Performance Share Award is subject to the TSR ranking of Reed Elsevier measured over the **three** financial years 2010 to 2012 and the vesting of one third of the Matching Share Award is subject to the TSR ranking of Reed Elsevier measured over the **five** financial years 2010 to 2014. In respect of each type of award, the portion subject to the TSR Measure is referred to as the **TSR Tranche**.
- 1.18 As Reed Elsevier accesses equity capital markets through three exchanges – London, Amsterdam and New York – in three separate currency zones, three distinct comparator groups will be used – a Sterling Comparator Group, a Euro Comparator Group and a US Dollar Comparator Group. The TSR performance of Reed Elsevier PLC ordinary shares (based on the London listing) will be measured against the Sterling Comparator Group, the TSR performance of Reed Elsevier NV ordinary shares (based on the Amsterdam listing) will be measured against the Euro Comparator Group; and the TSR performance of Reed Elsevier PLC ADRs and Reed Elsevier NV ADRs (based on the New York listing) will be measured against the US Dollar Comparator Group. The TSR performance will be measured separately against each comparator group and each ranking achieved will produce a payout, if any, in respect of one third of the TSR Tranche. The proportion of the TSR Tranche that vests will be the sum of the payouts achieved against the three comparator groups.

- 1.19 Each comparator group comprises companies which were selected on the following basis:
- they are included in a relevant market index as at 31 December 2009 – FTSE100 for the Sterling Comparator Group; Euronext100 and the DAX30 for the Euro Comparator Group; and the S&P500 for the US Dollar Comparator Group; and
  - are nearest in size to Reed Elsevier in terms of market capitalisation;

excluding:

- companies with mainly domestic revenues (as they do not reflect the global nature of our customer base);
- those engaged in extractive industries (as they are exposed to commodity cycles); and
- financial services companies (as they have a different risk/reward profile).

Relevant listed global peers operating in businesses similar to those of Reed Elsevier not otherwise included are added to the relevant comparator group.

Each comparator group comprises approximately 40 companies. The TSR ranking against the US Dollar Comparator Group will be calculated using the weighted average of the TSRs of the Reed Elsevier PLC ADRs and Reed Elsevier NV ADRs. The constituents of each comparator group are set out in Schedule 1.

- 1.20 The number of shares in each third of the TSR Tranche which are capable of vesting will be calculated as follows and will be added together to determine the total number of Performance Shares/Matching Shares, within the TSR Tranche of either award, which are capable of vesting:

<b>TSR ranking within the relevant TSR comparator group</b>	<b>Performance Share Awards – performance measured to the end of 2012</b>	<b>Matching Share Awards – performance measured to the end of 2014</b>
	Vesting percentage of each third of the TSR Tranche	Vesting percentage of each third of the TSR Tranche
<i>Below Median</i>	0%	0%
<i>Median</i>	30%	30%
<i>Upper quartile (top 25th percentile)</i>	100%	100%

Vesting is on a straight-line basis for ranking between median and upper quartile.

- 1.21 In accordance with the approach applied to the measurement of TSR under the previous LTIP, the averaging period applied for TSR measurement purposes is the six months before the start of the financial year in which the Performance Share Award is granted and the last six months of the third financial year of the performance period for the Performance Share Award, and the last six months of the fifth financial year of the performance period for the Matching Share Award.

#### **The ROIC Measure:**

- 1.22 The vesting of one third of the Performance Share Award and one third of the Matching Share Award relates to the percentage return on invested capital of Reed Elsevier PLC and Reed Elsevier NV. The vesting of the Performance Share Award relates to the percentage ROIC for the financial year ending 31 December 2012 and is subject to the 2012 ROIC exceeding the 2009 ROIC, calculated on the same basis. The Matching Share Award is subject to the percentage ROIC for the financial year ending 31 December 2014. In respect of each type of award, the portion subject to the ROIC Measure is referred to as the **ROIC Tranche**.
- 1.23 The following definitions are relevant for ROIC:
- Invested capital = arithmetic average of the opening and closing capital employed for the Reed Elsevier combined businesses for the financial year with all cumulative amortisation and impairment charges for acquired intangible assets and goodwill added back. In addition, any exceptional restructuring and acquisition integration charges (net of tax) are capitalised for these purposes and changes in exchange rates and movements in pension deficits are excluded.
  - Return = adjusted operating profit for the Reed Elsevier combined businesses before amortisation and impairment of acquired intangible assets and goodwill, exceptional restructuring and acquisition integration charges and grossed up to exclude the equity share of taxes in joint ventures and further adjusted to exclude net pension financing credit movement, after applying the effective rate of tax used for adjusted earnings calculations and using exchange rates to match those used in the calculation of invested capital.

In order to ensure that the performance score achieved is a fair reflection of underlying business performance, the Committee retains discretion to determine the treatment of major disposals and acquisitions that require Board approval. Any significant adjustments made to the final performance score will be disclosed to shareholders.

1.24 The number of Performance Shares/Matching Shares comprised in the ROIC Tranche of either award which are capable of vesting will be determined as follows:

<b>Performance Share Awards – performance measured in respect of 2012</b>	<b>Matching Share Awards – performance measured in respect of 2014</b>	<b>Vesting percentage of ROIC Tranche</b>
ROIC	ROIC	
<i>Below 10.2%</i>	<i>Below 10.7%</i>	0%
<i>10.2%</i>	<i>10.7%</i>	60%
<i>11.2% or above</i>	<i>12.7% or above</i>	100%

Vesting is on a straight-line basis for performance between the minimum and maximum levels.

**The EPS Measure:**

1.25 The vesting of one third of the Performance Share Award relates to the average Earnings per Share (EPS) of Reed Elsevier PLC and Reed Elsevier NV over the two financial years 2011 and 2012. The 2010 financial year has not been included because the late cycle nature of much of the Company's business meant the economic downturn impacted the Company later than many other industries and this will still be a major factor in 2010. The measurement period is designed to reflect this and thereby maintain an appropriate incentive effect. However, for any part to vest, average EPS growth must be positive over the **three** financial years ending 31 December 2012. The vesting of one third of the Matching Share Award is subject to the average EPS growth over the **two** financial years 2013 and 2014. In respect of each type of award, the portion subject to the EPS Measure is referred to as the **EPS Tranche**.

1.26 The following definitions are relevant for EPS:

- Earnings = adjusted reported earnings measured at constant currencies. Adjustments include amortisation and impairment of acquired intangible assets and goodwill, exceptional restructuring and acquisition integration charges, gains/losses on business disposals and tax rate anomalies (deferred tax). The Committee retains discretion to adjust for changes in the net pension financing credit; and
- Number of shares = weighted average number of shares in issue excluding shares held in treasury.

1.27 The number of Performance Shares/Matching Shares in the EPS Tranche of either award which are capable of vesting will be determined as follows:

<b>Performance Share Awards – performance measured in respect of 2011 and 2012</b>	<b>Matching Share Awards – performance measured in respect of 2013 and 2014</b>	<b>Vesting percentage of EPS Tranche</b>
Average EPS Growth	Average EPS Growth	
<i>Below 5% per annum</i>	<i>Below 7% per annum</i>	0%
<i>5% per annum</i>	<i>7% per annum</i>	60%
<i>9% or above per annum</i>	<i>13% or above per annum</i>	100%

Vesting is on a straight-line basis for performance between the minimum and maximum levels.

## 2 The BIP 2010

### Overview

- 2.1 The BIP 2010 is intended to replace the existing Reed Elsevier Group plc Bonus Investment Plan 2003. The plan is voluntary and is designed for senior executives, including executive directors. Those selected for participation will be invited by the Committee to invest in Reed Elsevier securities (**Investment Shares**). Participants will have the opportunity to earn a match on their Investment Shares, subject to performance over a three-year performance period and other conditions (a **Matching Share Award**).

The BIP 2010 is based on the same structure as the BIP 2003, save for the following modifications:

Features	BIP 2010	BIP 2003
<ul style="list-style-type: none"> <li>• Performance conditions</li> <li>• Vesting scale</li> </ul>	<ul style="list-style-type: none"> <li>• EPS and ROIC</li> <li>• Performance hurdle and scaled vesting</li> </ul>	<ul style="list-style-type: none"> <li>• EPS only</li> <li>• Performance hurdle and cliff vesting</li> </ul>
<i>Investment opportunity</i>	100% of target bonus opportunity net of tax	50% of bonus earned net of tax
<i>Source of investment</i>	After tax funds including net annual bonus and shares beneficially owned	Net bonus
<i>Dividend equivalents</i>	Paid in respect of vested Matching Shares	Not applicable

- 2.2 Shares required to satisfy awards will be from purchases on a recognised stock exchange and no new shares will be issued under the plan.

### Timing of awards

- 2.3 Invitations to participate in the BIP 2010 will normally be made following the notification of annual bonuses to individuals for any financial year with Matching Share Awards being granted within 42 days of the announcement of results. For 2010, awards will be made in the 42 day period following the 2010 Annual General Meetings. No grants may be made under the BIP 2010 more than 10 years after the date of shareholder approval.

### Investment Shares

- 2.4 Employees who are invited to participate in the BIP 2010 can invest a specified percentage, up to a maximum of 100%, of their target bonus opportunity after tax (or such lesser amount as specified by the Committee from time to time) in Reed Elsevier PLC and/or Reed Elsevier NV shares.
- 2.5 The investment made can comprise after-tax cash (such as bonus payments) and/or existing Reed Elsevier shares beneficially owned by the participant. For the avoidance of doubt, Personal Shares held under the Growth Plan are not eligible for investment in the BIP 2010.
- 2.6 The Committee will set annually the date (the **Investment Date**) upon which any cash being invested will be used to acquire Reed Elsevier securities on behalf of the participant at the prevailing market price and any existing securities will be deemed invested in the plan at the same price.
- 2.7 The resulting shares (**Investment Shares**) must be held until the vesting date of the related Matching Share Award, which will be a date after the end of the three year performance period as set by the Committee (the **Investment Period**). During the Investment Period, participants will be the beneficial owners of the Investment Shares and will enjoy all shareholder benefits, including the receipt of dividends. The Committee may impose such conditions as it sees fit to ensure a participant retains the Investment Shares including requiring the shares to be held by a nominee on his or her behalf.
- 2.8 As the Investment Shares are beneficially owned, they cannot be forfeited. However, partial or full withdrawal of the Investment Shares before the end of the Investment Period results in the lapsing of the entire Matching Share Award, except if the Committee determines otherwise in exceptional circumstances.
- 2.9 At the end of the Investment Period, the Investment Shares are released in full to the participant.

*Matching Share Awards*

- 2.10 Participants will receive a Matching Share Award, granted on the Investment Date, which entitles them to a number of additional securities in Reed Elsevier PLC and/or Reed Elsevier NV at the end of the Investment Period subject to performance, continued employment with Reed Elsevier and retaining the Investment Shares in the plan until the end of the Investment Period.
- 2.11 The number of shares comprised in a Matching Share Award will be the nearest whole number of shares which can be acquired (at the price on the Investment Date) with the percentage of the gross target bonus opportunity which the participant has chosen to invest.

*Release of shares and dividend equivalents*

- 2.12 After the end of the three year performance period, all Investment Shares and, to the extent the performance measures are met, Matching Shares will be released to a participant.
- 2.13 Participants will receive dividend equivalents on vested Matching Shares to reflect ordinary dividends relating to those shares. It is intended that dividend equivalents will be paid in cash shortly following the date the award vests, although they may also be paid in shares.

*Cessation of Employment*

- 2.14 A participant must generally remain employed by Reed Elsevier in order for any Matching Shares to vest. If a participant gives or receives notice of termination of employment before the end of the Investment Period for any reason other than those listed below, his Matching Share Award will lapse in its entirety on the date when notice is given or received. A participant's Investment Shares will be released to him in full.
- 2.15 Where a participant ceases to be an employee of Reed Elsevier before the end of the Investment Period by reason of:
- (i) redundancy;
  - (ii) retirement with Company consent;
  - (iii) the sale of the business or company in which the individual is employed out of Reed Elsevier; or
  - (iv) any other reason which the Committee, in its absolute discretion, determines,

the Matching Share Award will not lapse but will continue. The Matching Share Award will vest at the end of the Investment Period to the extent the performance measures have been satisfied and will be subject to pro-rating for service. The participant would also be required to retain a pro-rata number of his Investment Shares in the plan until the end of the Investment Period with the remainder being released on termination. However, the Committee has discretion to allow the release of shares at the date of cessation subject to performance and time pro-rating, in which case, the Investment Shares would also be released to the participant at that time.

- 2.16 If a participant dies, or ceases to be an employee as a result of injury, disability or ill-health, the shares comprised in the Matching Share Award will be released to the participant, or to the participant's personal representatives as applicable, as soon as practicable, subject to an assessment of performance based on progress made against the targets as at the date of cessation of employment/death and a time pro-rating reduction. The Investment Shares will be released in full. However, the Committee has discretion to let the Matching Share Award continue until the end of the investment period and vest subject to performance and pro-rating for time, in which case a pro-rated number of Investment Shares would remain in the plan.

*Performance Measures – Matching Share Awards*

- 2.17 The performance measures applicable to Matching Share Awards will be measured at the end of the 2012 financial year. There are two separate measures of equal weighting – a ROIC measure and an EPS measure which will, except as set out below, be measured and calculated in the same way as the ROIC Measure and the EPS Measure under the Growth Plan.

**The ROIC Measure:**

The vesting of one half of the Matching Share Award is subject to the percentage return on invested capital of the Reed Elsevier combined businesses in the third year of the performance period. The number of Matching Shares subject to the ROIC Measure which vest is determined as follows:

<b>ROIC</b>	<b>Percentage of Matching Shares vesting</b>
<i>Below 10.2%</i>	0%
<i>10.2%</i>	50%
<i>11.2% or above</i>	100%

Vesting is on a straight-line basis for performance between the minimum and maximum levels.

For the first operation of the plan in 2010, for the proportion of the Matching Share Award subject to the ROIC measure to vest, the 2012 ROIC must exceed the 2009 ROIC, calculated on the same basis.

**The EPS Measure:**

The vesting of one half of the Matching Share Award is subject to the average EPS growth of Reed Elsevier PLC and Reed Elsevier NV over the three year performance period. The number of Matching Shares subject to the EPS Measure which vest is determined as follows:

<b>Average EPS Growth over the performance period</b>	<b>Percentage of Matching Shares vesting</b>
<i>Below 4% per annum</i>	0%
<i>4% per annum</i>	50%
<i>9% or above per annum</i>	100%

Vesting is on a straight-line basis for performance between the minimum and maximum levels.

For the first operation of the plan in 2010, EPS will be measured over the 2011 and 2012 financial years. However, for any part of the Matching Shares subject to the EPS measure to vest, average EPS growth must be positive over the three financial years ending 31 December 2012.

**3 Features common to the Growth Plan and the BIP 2010**

*Conditions of grant*

3.1 The Committee may impose any conditions on the grant of an award under the plans as it considers appropriate, including requiring a participant to comply with certain post-employment restrictive covenants.

*Performance Measures – overriding Committee discretion*

3.2 In determining the level of vesting under the plans, the Committee will take into account Reed Elsevier’s overall business performance over the relevant period and may also take into account such other factors or matters as it considers appropriate. The Committee will have discretion to adjust the vesting levels of awards if it believes such an adjustment would result in a fairer outcome. In exercising any such discretion, the Committee will have due regard to the value created for shareholders and the underlying business performance. The Committee will be open and transparent about its use of this discretion and will explain in the Remuneration Report the extent to which the discretion has been exercised and the reasons for doing so.

*Claw-back*

- 3.3 If a participant, who ceases employment with Reed Elsevier, breaches any aspect of his restrictive covenant agreement (such breach to be determined by the Committee), the Committee may require him to repay to Reed Elsevier an amount equal to his post-tax gain arising from the vesting of any award under the plans in the six months up to and including his termination date.
- 3.4 In circumstances where the Committee considers in good faith that the vesting of an award under the plans was determined on the basis of materially misstated financial or other data, it shall take such steps as it considers appropriate to recover the difference in value between the incorrect award and the award that would have vested had the correct data been used including scaling back outstanding unvested awards.

*Change of control*

- 3.5 On a change of control of either Reed Elsevier PLC or Reed Elsevier NV, awards will vest on a pro-rated basis subject to performance. Performance will be assessed based on progress made against targets as at the change of control. Alternatively, and in relation to BIP 2010 only, the Committee may determine that awards shall not vest and that they shall be exchanged for equivalent awards over shares in the new holding company or companies as applicable.
- 3.6 Where the purpose or effect of a change of control of Reed Elsevier PLC and/or Reed Elsevier NV is to create a new holding company or companies, such that Reed Elsevier Group plc has substantially the same ultimate shareholders, awards under the plans will not vest but will be exchanged for equivalent awards over shares in the new holding company or companies as applicable.

*Variation of Share Capital*

- 3.7 In the event of any variation of the share capital of either Reed Elsevier PLC or Reed Elsevier NV, including but not limited to any capitalisation, rights issue, any consolidation, sub-division or reduction of their share capital, the participants shall, in respect of their Investment Shares under the BIP 2010 and their Personal Shares under the Growth Plan, be treated in the same manner as other shareholders, save that generally (i) in the event of a rights issue, the participants shall be required to sell sufficient rights nil paid as will enable them to acquire with the proceeds of sale the remainder of their rights entitlement; and (ii) in the event of the receipt of cash or securities (other than shares) on a demerger or other reorganisation, the Committee shall determine whether those shares are released to participants or whether the participants shall be required to apply that cash, or the proceeds of sale of such securities, in the purchase of further shares after allowing for taxation.
- 3.8 The number of shares comprised in the Performance Share Award, the Deferred Performance Shares and the Matching Share Award under the Growth Plan and the Matching Share Award under the BIP 2010 will be adjusted by the Committee to reflect the variation.

*Rights Attaching to Shares*

- 3.9 Other than in respect of Personal Shares under the Growth Plan and Investment Shares under the BIP 2010, a participant will not have any voting or dividend rights before the vesting of the award. All shares allotted under the plans will carry the same rights as any other shares in Reed Elsevier PLC or Reed Elsevier NV as applicable.
- 3.10 Benefits received under the plans are not pensionable and may not be assigned or transferred except on a participant's death.

*Amendments*

- 3.11 The Committee will have authority to amend the rules of the plans, provided that no amendment to the advantage of participants or eligible employees may be made to provisions relating to the key features of the plans without the prior approval of shareholders in general meeting unless the amendment is minor and made to benefit the administration of the plans, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment either for participants or Reed Elsevier. Key features are: who can be a participant, the individual and plan limits on the number of shares which can be awarded under the plans, the basis for determining a participant's entitlement to shares and the terms on which they can be acquired, and the provisions relating to adjustments in the event of a variation in the Company's share capital.

## Schedule 1 – TSR Comparator Groups

<b>Sterling</b>	<b>Euro</b>	<b>Dollar</b>
AGGREKO	ACCOR	3M
ASTRAZENECA	ADIDAS	ADOBE SYSTEMS
AUTONOMY CORP.	AHOLD	AGILENT TECHS.
BAE SYSTEMS	AIR LIQUIDE	AIR PRDS. & CHEMS.
BRITISH AIRWAYS	AKZO NOBEL	AMAZON.COM
BRITISH AMERICAN TOBACCO	ALSTOM	ANALOG DEVICES
BUNZL	ASML HOLDING	APPLIED MATS.
BURBERRY GROUP	BASF	AVON PRODUCTS
COBHAM	BMW	BAXTER INTL.
COMPASS GROUP	CARREFOUR	BECTON DICKINSON
DAILY MAIL	CHRISTIAN DIOR	CATERPILLAR
DIAGEO	DAIMLER	COLGATE-PALMOLIVE
EXPERIAN	DEUTSCHE POST	CORNING
GLAXOSMITHKLINE	EADS	CUMMINS
INTERCONTINENTAL HOTELS	ESSILOR INTL.	DEERE
IMPERIAL TOBACCO GROUP	HEINEKEN	DOW CHEMICAL
INFORMA	HERMES INTL.	DUN & BRADSTREET
INMARSAT	K + S	E. I. DU PONT DE NEMOURS
INTERNATIONAL POWER	LAFARGE	EBAY
INTERTEK GROUP	LAGARDERE GROUPE	EMERSON ELECTRIC
INVENSYS	LINDE	FICO
JOHNSON MATTHEY	LVMH	FORD MOTOR
KINGFISHER	MAN	GENZYME
NATIONAL GRID	METRO	H.J. HEINZ
PEARSON	MICHELIN	ILLINOIS TOOL WORKS
RECKITT BENCKISER GROUP	PERNOD-RICARD	JOHN WILEY
REXAM	PHILIPS ELTN. KONINKLIJKE	JOHNSON CONTROLS
ROLLS-ROYCE GROUP	PORTUGAL TELECOM SGPS	JUNIPER NETWORKS
SABMILLER	PPR	LIFE TECHNOLOGIES
SAGE GROUP	RENAULT	MCDONALDS
SHIRE	SAINT-GOBAIN	MCGRAW-HILL
SMITH & NEPHEW	SAP	MICRON TECHNOLOGY
SMITHS GROUP	SCHNEIDER ELECTRIC	MOTOROLA
THOMAS COOK GROUP	SUEZ ENVIRONNEMENT	NEWS CORP
TUI TRAVEL	THALES	NIKE
UNILEVER (LSE)	THYSSENKRUPP	NVIDIA
UNITED BUSINESS MEDIA	TNT	PACCAR
VODAFONE	UNILEVER (AEX)	PPG INDUSTRIES
WOLSELEY	VALLOUREC	SPECTRA ENERGY
WPP	VEOLIA ENVIRONNEMENT	TEXAS INSTS.
	VOLKSWAGEN	THOMSON REUTERS (NYSE)
	WOLTERS KLUWER	UNITED TECHNOLOGIES
		YUM! BRANDS